

2. The Evolving Retail Payments Landscape

In recent years, the share of payments made electronically has risen as cash and cheques are used less frequently. New technologies and new participants in the payments system are also providing more payment options to consumers and businesses.

Australians increasingly prefer to make payments electronically

The way Australians make payments has changed significantly over recent decades. Most transactions are now made using electronic payment methods rather than cash, and cheques are rarely used (Graph 2.1). In 2022/23, Australians made around 730 electronic transactions per person on average, compared with about 330 a decade earlier. Cards are the most commonly used retail payment method in Australia, with three-quarters of consumer transactions made using debit and credit cards (Table 2.1). Other payment methods, besides cash and card payments, make up a small share of payments by number. However, bank transfers and BPAY payments make up a more significant share of payments by value because they are used more often for higher value transactions. The long-run trend to electronic payments reflects innovation in the payments system and changing payment preferences. This trend has been accelerated by changes in payment behaviour through the pandemic.

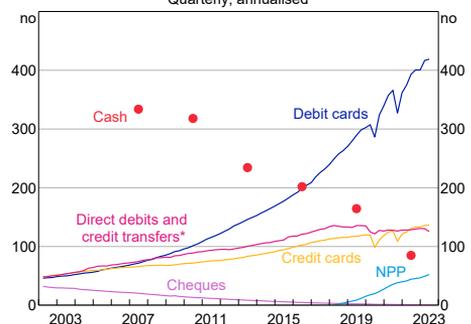
Use of debit cards by Australians has doubled from a decade ago, with their share of total transactions (by number) increasing to more than half in 2022. The strong growth in debit card payments, and card payments more

generally, has been spurred by the convenience of contactless payments technology. Contactless payments made up 95 per cent of in-person card payments in the 2022 CPS, up from roughly one-quarter in 2013 (Graph 2.2). This shift was initially driven by payments made by tapping a card at a terminal, with these payments as a share of in-person card payments peaking at three-quarters in 2019. More recently, consumers have increasingly been making contactless payments using a payments-enabled device, such as a mobile phone or smart watch, with 30 per cent of in-person card payments made this way in 2022.

Australia has been quick to adopt contactless payments compared with some other countries (Graph 2.3). Besides consumer demand for convenience, the rise of contactless payments in Australia has been supported by the fast rollout of contactless capable cards and terminals by PSPs and card schemes. The hospitality industry

Graph 2.1

Transactions per Capita
Quarterly, annualised



* Includes BPAY.

Sources: ABS; AusPayNet; BPAY; Colmar Brunton; Ipsos; RBA; Roy Morgan Research.

Table 2.1: Consumer Payment Methods

Share of all payments^(a)

	2007	2010	2013	2016	2019	2022
Number of payments						
Cash	69	62	47	37	27	13
Cards	26	31	43	52	63	76
– Debit cards	15	22	24	30	44	51
– Credit and charge cards	11	9	19	22	19	26
BPAY	2	3	3	2	2	2
Internet/phone banking ^(b)	–	2	2	1	3	3
PayPal	–	1	3	3	2	2
Cheque	1	1	0.4	0.2	0.2	0.1
Other ^(c)	1	1	2	4	2	2
Value of payments						
Cash	38	29	18	18	11	8
Cards	43	43	53	54	61	65
– Debit cards	21	27	22	26	36	39
– Credit and charge cards	23	16	31	28	25	26
BPAY	10	10	11	8	9	8
Internet/phone banking ^(b)	–	12	10	10	14	14
PayPal	–	1	2	4	2	3
Cheque	6	3	2	2	2	0.05
Other ^(c)	3	3	5	3	2	3

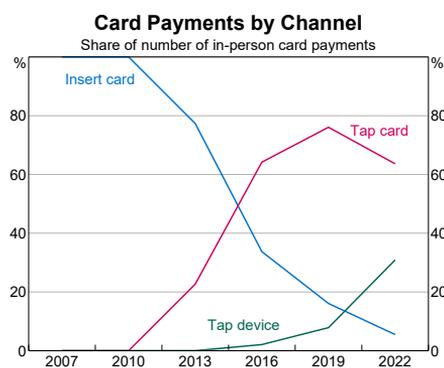
(a) Excludes payments over \$9,999, transfers (payments to family and friends), transport cards and automatic payments.

(b) Payments made using banks' internet or telephone facilities; does not include other payments made using the internet.

(c) 'Other' methods include prepaid, gift and welfare cards, bank cheques, money orders, 'buy now, pay later' and Cabcharge.

Sources: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 2.2



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

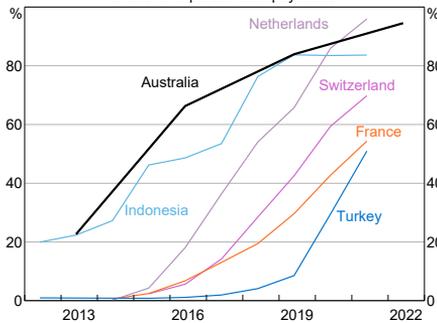
and large merchants, such as supermarkets and department stores, were early adopters of the technology, further expanding consumer uptake. In addition, the emergence of new PSPs and payment plans suited for smaller merchants has seen wider acceptance of contactless card payments. During the pandemic, consumer and merchant concerns about the hygiene of certain payment methods, such as cash, supported increased usage of contactless card payments.

Another long-run trend that has been reinforced by the pandemic is an increase in the share of purchases being made online. The share of payments made online increased during periods

of pandemic-related lockdowns. The results from the latest CPS show the share of payments made online remains higher than it was prior to the pandemic, at 18 per cent in 2022, up from 12 per cent three years earlier. The shift towards online payments has been broadly based across sectors, with the share of online payments for leisure, bills, goods and services all increasing significantly from pre-pandemic levels (Graph 2.4).

Graph 2.3

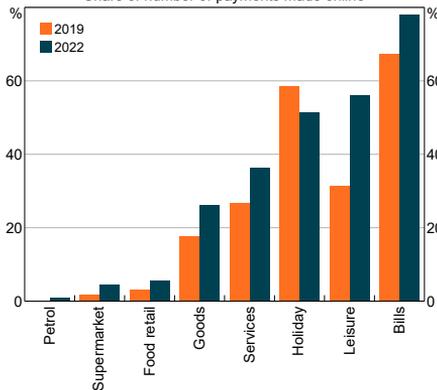
Contactless Card Payments
Share of in-person card payments



Sources: BIS; RBA calculations based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 2.4

Online Payments by Sector
Share of number of payments made online



Source: RBA calculations, based on data from Ipsos and Roy Morgan Research.

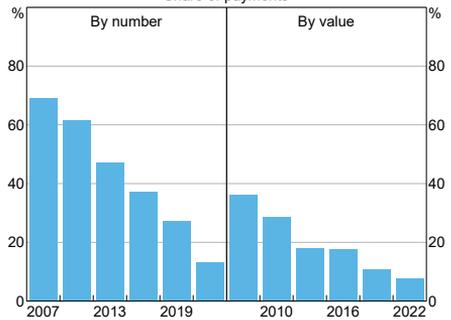
Cash is being used less for payments but is still important for some people

The results of the 2022 CPS show that Australians continue to shift away from using cash for day-to-day transactions. Since 2007, the share of payments made using cash has consistently declined. Cash made up 69 per cent of the total number of consumer payments in 2007 and fell to 13 per cent in 2022 (Graph 2.5, left panel). In value terms, 8 per cent of payments were made with cash in 2022 – down from 36 per cent in 2007 (Graph 2.5, right panel). The decline in transactional cash use accelerated between 2019 and 2022, with the share of cash payments by number halving between 2019 and 2022. This decline is due in part to the impact of the pandemic on consumer payment behaviour. During the pandemic, Australian consumers used cash less often to make payments because of hygiene concerns with handling cash and to comply with social distancing requirements. Instead, they used electronic payment methods such as cards and undertook more transactions online.^[1]

Consumers reported using cash less frequently for transactions of all sizes in 2022. This decline was particularly pronounced for small payments;

Graph 2.5

Cash Payments
Share of payments



Sources: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

[1] Guttman R, C Pavlik, B Ung and G Wang (2021), 'Cash Demand during COVID-19', RBA Bulletin, March.

in 2007, cash made up almost all in-person payments with a value of less than \$10, but in 2022 just one in four payments of this size were made using cash (Graph 2.6). For higher value transactions, cash use fell further, with around a tenth of in-person payments over \$50 made with cash in 2022. Cash is now used less than electronic payment methods for transactions of all sizes. Consumers seem to have switched to cards, particularly for low-value payments, because of the convenience of contactless payments.

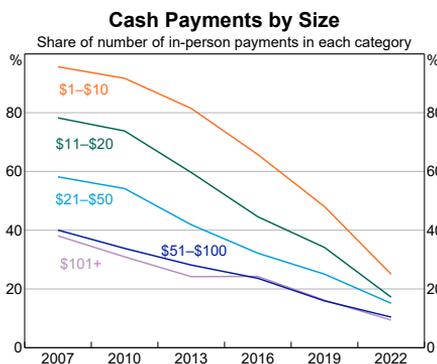
The decline in consumers' use of cash has been evident across all types of businesses (Graph 2.7). The largest declines in the share of payments using cash from 2007 to 2022 were recorded in the transport (e.g. parking, public transport and taxis) and food retail sectors (e.g. fast food, cafés and restaurants). Several factors contributed to these declines, including the increased popularity of contactless card payments, the rise of ride-share services, and that most public transport services no longer accept cash.

Despite the overall decline in the use of cash for transactional purposes, some Australians continue to use cash predominantly. In 2022, 18 per cent of consumers aged 65 and above were high cash users, using cash for at least 80 per cent of their in-person payments

(Graph 2.8, left panel). Lower household income continued to be associated with more intensive cash usage – for example, 17 per cent of people in the lowest household income quartile were high cash users, compared with only 2 per cent in the highest household income quartile. (Graph 2.8, middle panel). There were slightly more high cash users living in regional and remote areas compared with major cities (Graph 2.8, right panel).

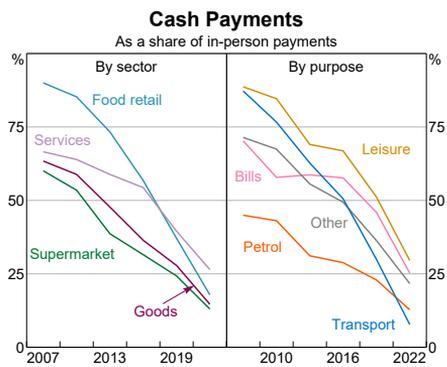
Some Australians would be negatively affected if cash was difficult to access or if shops stopped accepting it as a payment method. In 2022, around 60 per cent of high cash users indicated that they would experience a major inconvenience or genuine hardship if cash was no longer available or usable – this group was equivalent to about 4½ per cent of the adult Australian population. This suggests that cash remains essential in the lives of some Australians, and so ongoing efforts by the Bank and the government to support continued access to cash remain important. For instance, in its Strategic Plan for Australia's Payments System, the government has indicated it will work with industry to ensure a sustainable cash distribution network (see chapter on 'Payments System Regulation and Policy Issues').^[2]

Graph 2.6



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

Graph 2.7



Source: RBA calculations, based on data from Colmar Brunton, Ipsos and Roy Morgan Research.

[2] See Treasury (2023), 'A Strategic Plan for Australia's Payments System', June.

More Australians are using mobile wallets for payments

Over the past few years, there has been a marked shift to card payments being made with mobile wallets offered by large technology companies, such as Apple Pay, Google Pay and Samsung Pay. These wallets enable consumers to store digital representations of their debit and/or credit cards in their smartphone or other mobile devices (such as a smart watch). These can then be used to make contactless payments at the point of sale and, in some cases, online payments.

The share of debit and credit card payments made via mobile wallets has continued to grow in the post-pandemic period, reaching 35 per cent of card transactions in the June quarter 2023, up from 10 per cent in early 2020 (Graph 2.9). Debit card payments are more likely to be made using a mobile wallet than credit card payments.

Results from the 2022 CPS show that mobile wallet use is expanding for Australians of all ages. More than one-third of consumers used a mobile device to make a contactless payment in the diary week – an increase of 25 percentage points from 2019 (Graph 2.10). Adoption has

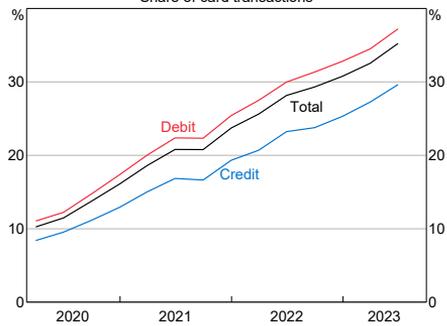
increased the most for younger consumers, with mobile payments used by nearly two-thirds of Australians aged between 18 and 29 in 2022, up from less than 20 per cent in 2019. For consumers aged 65 and over, 9 per cent made a mobile payment during the diary week, which was triple the share in 2019.

'Buy now, pay later' transactions continue to grow strongly

BNPL services allow customers to purchase goods on credit and make interest-free repayments to the BNPL provider. The merchant receives the full amount of the purchase price upfront from the provider, as is the case for other

Graph 2.9

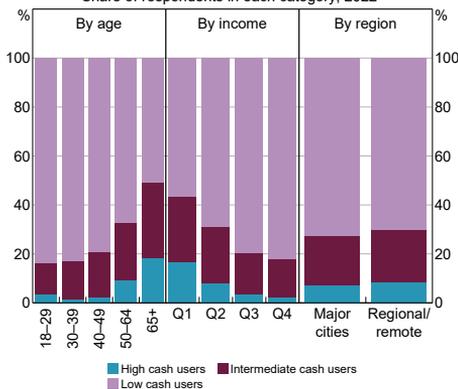
Mobile Wallet Transactions
Share of card transactions



Graph 2.8

Cash User Groups

Share of respondents in each category, 2022*

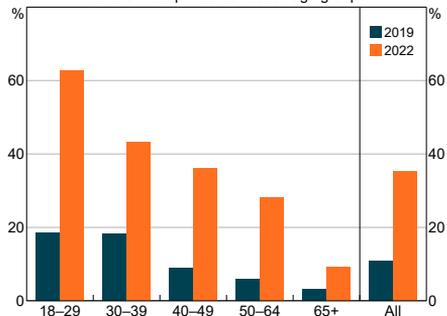


* Frequency based on share of in-person payments in cash (low: ≤ 20 per cent, high: ≥ 80 per cent).

Source: ABS; RBA calculations, based on data from Ipsos.

Graph 2.10

Use of Mobile Devices for Card Payments*
Share of respondents in each age group



* Used at least once in the diary week of the Consumer Payments Survey.

Source: RBA calculations, based on data from Ipsos and Roy Morgan Research.

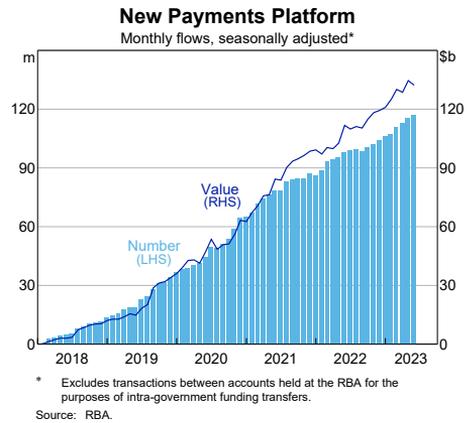
forms of payment such as credit cards. While offering benefits to consumers, BNPL services are typically an expensive way for merchants to accept payments. A BNPL transaction costs on average around 4 per cent of the value of the purchase, compared with an average of 0.5–1.5 per cent for traditional card payments. Based on data collected by the Bank from a representative sample of BNPL providers, BNPL transactions have continued to grow strongly over the past year, albeit at a slower pace than previously. The value of BNPL transactions increased by around 13 per cent in 2022/23, compared with 37 per cent in 2021/22. The value of BNPL transactions in 2022/23 was around \$19 billion, equivalent to around 2 per cent of Australian card purchases. The number of merchants choosing to accept BNPL services continued to expand rapidly. Customers can also use some BNPL services at non-partner merchants because some BNPL providers leverage existing card acceptance arrangements to enable BNPL purchases at almost any merchant that accepts card payments. By contrast, the number of active Australian BNPL customer accounts was little changed over the year to June at just over 7 million. Several smaller BNPL providers have exited the market over the past year. Results from the CPS show that almost one-third of Australians had used a BNPL service in the preceding year, up around 8 percentage points from 2019.^[3]

More account-to-account transfers are happening in real time

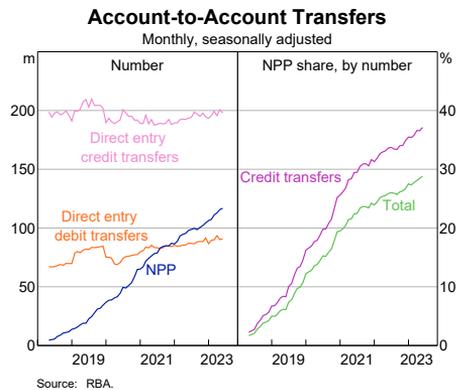
Use of Australia’s fast account-to-account payments system, the NPP, has continued to grow since its launch in 2018. The NPP enables consumers, businesses and government agencies to make real-time, data-rich payments 24 hours a day, every day of the year. The NPP is

available to the customers of more than 110 financial institutions and is used to make around a quarter of all account-to-account payments. In 2022/23 the NPP processed over 1.3 billion transactions, worth more than \$1.5 trillion, and usage continues to grow (Graph 2.11). However, most account-to-account payments continue to occur over direct entry. The NPP accounts for about one-third of all credit transfers – that is, payments from a bank account directly to the bank account of a recipient (Graph 2.12). In addition, few direct debit payments, which automatically withdraw money from a customer’s account to pay bills or other regular payments, have migrated to the NPP. ❖

Graph 2.11



Graph 2.12



[3] For information on forthcoming regulatory changes, see chapter on ‘Payments System Regulation and Policy Issues’.